



April 29, 2014

RE: House Transportation Funding Package, Including But Not Limited To: HB 5459, HB 5477, HB 4358, HB 4630, HB 5452, HB 5453, HB 4251, HB 5167, HB 4925, HB 5460

Dear Representative,

The transportation funding plan unveiled by House Speaker Jase Bolger on April 3 is a positive step forward for road funding. However, according to the Speaker, it will bypass the top half of the Public Act 51 (1951) transportation funding formula, and allocate new revenues only to roads. A significant piece of the bypassed portion of the formula is the Comprehensive Transportation Fund (CTF), which funds public transit in Michigan.

If we are going to start to tackle the shortfalls of Michigan's transportation funding, we need to do so through the *full* Act 51 formula so that our state's *full* transportation system can benefit from the new revenues that are generated. The function of the Act 51 formula is to distribute state transportation revenues through the state's full transportation system, not just one leg of it.

Regardless of how much new revenue is raised from the Speaker's transportation funding plan, allocating all of it to roads repeats a major flaw of the 1997 gas tax increase (1997 PA 83). Every year since, the CTF has missed out on approximately \$15.2 million that could have come from the new revenue generated by the 1997 gas tax increase¹. Totalling that up over the past 17 years, the CTF has missed out on \$259 million from not being included in the 1997 gas tax increase.

If the Speaker's transportation funding plan goes through the full Act 51 formula, up to \$38 million per year² could go to the CTF. This is an annual 24% increase in CTF. However, pending legislation included in the plan, \$369 million in new transportation revenue would be dedicated solely to roads, through the bottom half of the Act 51 formula³. This removes \$31 million from its rightful place in the CTF.

1 - Based on the House Fiscal Agency current estimate of \$45 million revenue per \$0.01 of the gasoline tax, and 8.47% as the fraction of the total Michigan Transportation Fund (MTF) that the CTF received in FY 2012-2013

2 - Using 8.47% CTF fraction, as in FY 2012-2013 budget

3 - HB 5459 and draft legislation that would dedicate 1% of Use t=Tax revenue to roads (Request No. 5277)